NEWS

FROM

NARFE

NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES

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FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

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IF IT'S WRONG FOR A DIME
IT'S WRONG FOR A DOLLAR

Washington, D. C. -- With these words, "Lud" Andolsek, President of the half-million member National Association of Retired Federal Employees, called on Congress to again reject the Reagan Administration's budget proposals on Civil Service retirement and health benefits. Most of the Administration's proposals have been considered and repudiated in the past by Congress. While recognizing that the stakes are higher this year because of irresponsible fiscal policies and their resultant deficits, Andolsek stood firm stating "If it's wrong for a dime, it's wrong for a dollar".

He likened the proposed structural changes to the retirement system to "pulling up stakes on the near end of a transitional bridge before the far side is secured," referring to Congress' yet to be finished work on fashioning a supplemental retirement program for employees hired after 1983. "Let's not break with the past until we have a foot firmly planted in the future."

Attacking the plan to freeze, then cut only Civil Service Retirement COLAS as "duplicitous", Andolsek noted that retiree's deserve inflation protection no matter for whom they worked. On the proposal to manipulate the size of future COLAS, he recalled his days as Commissioner of Civil Service when adjustments were viewed as "election protection for politicians rather than inflation protection for the elderly." He also observed that means-tests might be appropriate for welfare, but they have no place in a staff retirement program.

Concerning the proposed voucher system of health insurance, the Association President stated, "Rebates may be appropriate gimmicks on the car lots of America, but they do not belong on the minds of American citizens making crucial health care decisions."

Expressing the retiree association's concern over the deficit problem, Andolsek expressed a willingness to discuss reasonable approaches to restricting the costs of COLAS. But the requirements for such approaches were made clear -- "They must be consistent across the board, and they must not run contrary to the goals of the retirement programs they affect."

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NATIONAL ASSOCIATION OF LETTER CARRIERS
AFL-CIO

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TESTIMONY OF

NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO

BEFORE THE

SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U. S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.
FEBRUARY 26, 1985

CONGRESSIONAL TESTIMONY

Madam Chair, my name is George Gould, Legislative and Political Assistant to President Vincent Sombrotto of the National Association of Letter Carriers, a labor organization of over 261,000 members who are either presently employed as city delivery carriers by the U. S. Postal Service or who are retired from such employment. President Sombrotto could not appear today due to a long term commitment to attend the NALC Council of Presidents' annual meeting.

I do not need to detail to you today the fact that postal/federal employee and retiree benefits have been singled out consistently during periods of budget crisis and cutbacks in spending. Although we are not the cause of the budget deficit that exists today, letter carriers have helped to reduce that deficit, while those causing the deficit are unwilling to make a serious effort. The issue is fairness.

As you look at the laundry list of proposed cuts in benefits and programs affecting postal/federal employees, it's easy to recite the money savings to the budget each of these cuts represents.

But the real issue in the '86 budget proposal is people--individual letter carriers and family members directly affected by each of these proposed cuts. The impact is most dramatic when one looks at the out-of-pocket dollar loss or lifetime annuity loss to a government employee. When you look at individuals, the rhetoric of the Grace Commission and those constantly attacking our benefits as "excessive and overgenerous" disappears.

Consider for example the cuts targeted at those already retired. A letter carrier with 30 years of service retiring in March, 1985, will receive an annual annuity of $12,647. If the retiree provides a survivor annuity, the basic annuity is reduced by $994.70; the retiree's share of the health benefit premium reduces that basic annuity by another $863.88. This brings the retiree's annuity to $899.04 per month or $10,788.48 per year. As you are aware, a federal employee's annuity is subject to income taxes, thus reducing the amount further.

The current budget proposal would deny this retiree a cost-of-living adjustment in 1986; the retiree would lose approximately $520 in inflation adjustment. Then in 1987, the loss would be further compounded by paying the COLA on the lower of CPI or federal wage increase--an additional loss of approximately $165, and capping the COLA on annuities over $10,000 at 55% of the revised COLA, thus causing an additional loss of $200 in inflation adjustment.

Without a change in the current law, by January, 1987, this retiree would receive $ 1,084 in COLAs based on the Administration's inflation projections; if enacted into law this year these budget proposals would reduce that COLA amount by $ 740. This retiree's modest annuity will be further eroded because full inflation protection has been eliminated.

If that isn't enough, the Administration's proposal to change the health benefit formula would further reduce the monthly annuity by increasing the retiree-paid portion of the health premium. Additionally, the Administration's voucher plan would force retirees as well as active employees to look for a low cost, low option health plan, bear the additional costs out of pocket, or worse yet forego necessary medical treatment. These proposals changing the federal employee health benefit plan system directly threaten the health of our 10 million federal workers and retirees and their family members covered by the plans.

While the previous proposals affect employees already retired, there are numerous recommendations that would directly impact those currently working. For the active letter carrier, the Administration (management) proposals to change the retirement plan under which this employee was hired should be illegal. In fact, in the private sector, this is a violation of the law. As President Reagan recently said, the government made a contract with the people who serve in our armed forces and the government cannot break that contract. Our people have that same contract. Increasing the retirement age to 65 means a letter carrier would have to work 10 years longer, perhaps as long as 46 years--the maximum retirement benefit of 80 percent is reached at 41 years and 11 months--and contribute well over $15,000 more into the retirement fund while receiving reduced benefits.

Of course, a letter carrier could retire at age 55 with 30 years service, but the basic annuity would be reduced by 5% for each year of early retirement. Therefore, for the letter carrier retiring in March, 1985 that I cited earlier in the testimony, the basic annuity would be reduced from $12,647 per year to $6,323.50, less survivor annuity and health premium, bringing the annual annuity down to $5,097.27 per year, with the poverty level for an elderly family of two being $6,023. Further, remember this is a letter carrier's retirement income, not a supplement to other retirement incomes!

Other proposed changes would further reduce this basic annuity; for example, calculating the annuity on high-5 instead of high-3 and eliminating retirement credit for unused sick leave. On the latter, let me say this was a sound management decision to encourage employees to work and not feel they have to use their unused sick leave before retirement. The proposal is still sound.

The Administration's budget could also affect postal rates, by eliminating the revenue foregone appropriation for reduced mail rates for non-profit mailers such as churches, schools, charities and veterans' groups. If this appropriation is eliminated, the result would double non-profit mail rates, with devastating effects.

Madam Chair, one additional proposal contained in the President's FY'86 budget directly affects the Postal Service. That proposal would require the Postal Service to dramatically increase its contribution to the Civil Service Retirement fund. If enacted, the cost in 1986 alone would be between $218 and $300 million, increasing at a greater rate for the later years.

Currently, the USPS transmits to OPM the 14 percent employer/employee contribution as well as an annual unfunded liability payment. In 1984, these amounts were: $1,825,284,000 for the 14% employer/employee contribution; and $917,204,000 for the annual unfunded liability payment.

No other federal agency makes a direct contribution to the unfunded liability!

Madam Chair, as I stated earlier, these budget proposals affect real people. It is a retired letter carrier with 34 years of service like Joe Bucciero of St. Petersburg, Florida, whose COLA would be cut. It is the future of active letter carrier Chris Slocum, a mother of three small children, of Yakima, Washington, that is endangered if the retirement contract is broken. And it is the health care benefits of active letter carrier and father of five, Dan Rupp of Cleveland, Ohio, whose benefits would be drastically reduced.

Madam Chair, the examples go on. But the point is the same. The budget cuts proposed in the FY'86 federal budget are cuts against real people who serve and have served as dedicated employees of their government.

I hope this Congress will not allow unconscionable proposals to be enacted this year or any year.

Madam Chair, I will be more than happy to answer any questions you or the other Members of the Subcommittee might wish to ask.